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M'Laren, Duncan

Indirect taxation

Edinburgh

1860

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INDIRECT TAXATION:

ITS

WASTEFUL AND BURDENSOME NATURE,

AS COMPARED WITH

DIRECT TAXATION,

IN NECESSARILY CAUSING THE PUBLIC TO PAY MUCH MORE
THAN THE AMOUNT IMPOSED BY PARLIAMENT;

AND THE MOST EQUITABLE MODE OF IMPOSING

DIRECT TAXES ON PROPERTY.

By DUNCAN M'LAREN.

(Read, in a condensed form, at the Meeting of the Social Science Association.)

EDINBURGH:
PRINTED BY COLSTON & SON

1860.

INDIRECT TAXATION:

ITS WASTEFUL AND BURDENSOME NATURE,

AS COMPARED WITH

DIRECT TAXATION.

THAT indirect taxes, as ultimately paid by the consumers, with the addition of the profits legitimately chargeable by traders on the capital advanced by them in payment of the excise and customs duties, are more wasteful and burdensome than direct taxes, might be proved in the case of every separate taxed article; but, in such an investigation, it would be necessary to trace the history of each, from the first payment of the excise or customs duty on wholesale quantities, till the amount thus advanced had been repaid by the consumers in a multitude of small sums, included in the price of the taxed articles purchased from the retailers. To avoid all this detail, which would extend this paper beyond the proper limits, it is proposed to illustrate and prove the principle contended for by referring only to one such taxed article, and, taking it as a specimen, to proceed, by a very elementary but accurate process, to show the wasteful and burdensome nature of this tax, and, as a necessary consequence, to a greater or less extent, of all indirect taxes. The tax selected for illustrating this principle is that on ardent spirits, to which a large increase was recently made, and which produces the largest amount of revenue.

Towards the close of the last session of Parliament, there was added to this tax 2s. per gallon. It was then computed by the Chancellor of the Exchequer that this increase would yield one million of pounds, from the date when it was imposed to the close of the financial year,—a period of about eight months. Taking for granted the accuracy of this computation—that one million of pounds will be realised—the question to be solved is, how much more than this sum will the consumers of ardent spirits have to pay in order that the one million may reach the national exchequer?

The quantity of spirits consumed in Scotland being, in pro-

portion to the population, about double the quantity consumed in the rest of the United Kingdom, it may safely be inferred that, whatever rule prevails in Scotland respecting the charges or profits of the dealers in spirits, beyond the amount of the duty, will represent the average charges or profits throughout the United Kingdom with sufficient accuracy for the purposes of this paper; and therefore, taking the experience of Scotland as a guide, with reference to the recent increase in the spirit duties, the following facts can be established:—

When the Act came into operation, meetings of the spirit-dealers, called by public advertisement, were held in Edinburgh and Glasgow, to consider what increased price should be charged by the retailers to the purchasers of spirits, in consequence of the increased duty imposed by Parliament. The speeches at these meetings were reported in the newspapers of the day; the resolutions unanimously adopted were extensively advertised, for the information of the public and the trade; and there is every reason to believe that the decision of these meetings was approved of and followed by the retailers of spirits in all the towns and counties of Scotland. The resolution adopted was to the effect, that the price of whisky should be increased by one penny per gill; and, as there are thirty-two gills in the imperial gallon, this increase was at the rate of 2s. 8d. per gallon, or one third more than the increased tax imposed by Parliament. If, then, no other circumstances existed calculated to increase, or modify, the additional burden which was thus, fairly enough, laid on the public by the retailers of spirits—to compensate for the additional outlay of capital required, and the additional risk thereby incurred in carrying on business—the effect would be that, in order to secure the payment of £1,000,000 into the national exchequer, by this system of indirect taxation, it was necessary to impose a burden on the public of 33½ per cent. more than that sum, or £333,333. Now an equitably-devised direct tax on real and personal property of every kind, would have cost only 2½ per cent. in the collection, or £25,000 in all on the same sum; for the total expenses connected with the collection of the income and property tax during the four years ending in 1850, averaged £2, 9s. 6½d. per cent. The adoption of the indirect, in preference to the direct, mode of taxation is, therefore, the same in effect as if a landowner who wished to borrow £10,000 should prefer doing so at an expense of 33½ per cent., or £3,333, by dealing with some usurious money-lender, to obtaining it at the rate of 2½ per cent., or £250 in all, by mortgaging his estate. This result, although exceedingly startling, is, however, too favourable a view, as regards the wasteful and burdensome nature of indirect taxation, because the increase of eightpence per gallon is not the only additional burden laid on the public in consequence of the increase on the tax. The duty on all spirits is charged at 10s. per gallon, on what is technically

called "proof strength." A very large proportion of the whisky consumed in Scotland is sold to dram-drinkers in glasses, gills, and other small quantities, in public-houses and retail shops; and the "proof strength" is considered too potent to be used in this way. At all events, the whisky thus sold is, in point of fact, avowedly diluted, to a large extent, by the dram-sellers, before it is consumed by their customers. If, to four gallons of proof spirits be added one gallon of water, this proportion, it is believed, will be rather an under, than an over estimate, of the average dilution which takes place.

ADDITIONAL BURDEN CAUSED BY THE TAX ON SPIRITS.

Starting, then, from this point, with a new calculation respecting the total burden imposed on the public, these are the results:—On four gallons of proof spirits, Parliament has imposed an additional duty of 2s. per gallon, or 8s. in all. The publicans and retail spirit-dealers, by the addition of one gallon of water, convert these four gallons into five of the strength which is desired by the purchasers; and, in accordance with the resolutions already referred to, they charge an increased rate of 2s. 8d. on each of these five gallons, or 13s. 4d. in all. Thus, while the Chancellor of the Exchequer receives 8s., the public pay 13s. 4d., to enable him to collect the smaller sum. To obtain £1,000,000, then, from these parties, it is necessary to impose an additional burden of 66⅔ per cent., or £666,666 in all. It is therefore the same as if a landowner should prefer to borrow £10,000 at an expense of 66⅔ per cent., or £6,666, to obtaining it at the rate of 2½ per cent., or for £250 in all, by mortgaging his estate. But allowing for the spirits sold to families in larger quantities, and at a smaller rate of profit, without dilution, the general average increase in price on all the whisky consumed in Scotland may be assumed at only 50 per cent. on the original cost of the whisky, and on the amount of the duty; and this is certainly not an over estimate. If this million of pounds had been raised by an equitable tax on real and personal property of every kind, at 2½ per cent. for collection, in place of 50 per cent., the public would have saved £475,000; and when this 2s. tax shall be abolished, the public will save both the million of taxation, and the 50 per cent. profit thereon.

OTHER OBJECTIONS TO INDIRECT TAXATION.

There are other points of view in which the system of indirect taxation is very objectionable as compared with the direct, but these need only be noticed, without being dwelt on at length, because they are only indirectly connected with the main object of this paper. Amongst them may be mentioned the injury inflicted on trade by every such tax, which inevitably causes decreased consumption to some extent, and thus lessens the return from the fixed capital previously invested in the trade by the manufacturers of,

and dealers in the taxed articles. Such a decrease was anticipated, and allowed for, in the calculations of the Chancellor of the Exchequer; for if no decrease of consumption were to follow from the advance of one fourth part on the duty formerly charged, the increased revenue would, according to the consumption during the last year, be at the rate of L.3,075,653 per annum, in place of L.1,500,000 per annum, as assumed by him. Other evils are, the frauds and evasions at the custom-houses, the almost irresistible temptation to smuggling, and the demoralization consequent thereon, which all such taxes, especially when, as in this case, they are very high in amount, bring in their train. Abundant proof of this exists in the revenue seizures, and prosecutions, which are reported from time to time in the public press. Another evil is the inequality with which such taxes usually fall on the different classes of society. For example, a tax on spirits must necessarily be a tax mainly on the working classes, because, from their known habits, and preponderating numbers, they are undoubtedly the great consumers; and yet, from their comparative poverty, they are the class least able to pay taxes. In the case of the additional tax on spirits, although it may be defended on social grounds, as having a tendency to repress intemperance—the great source of poverty and crime—and also on the broader ground that intoxicating drinks form one of the best sources of indirect taxation, yet, considering that this increased tax was laid on as the chief source from which to defray the expenses of the Chinese War, it cannot be denied that, in its incidence, it falls most inequitably. The drinkers of ardent spirits were not more answerable for the origin of the Chinese War than the drinkers of wine, or than the abstainers from all intoxicating drinks; and therefore, there can be no just reason for inflicting so heavy a fine on the spirit drinkers,—for this, in effect, has been the operation of the Act of Parliament requiring them, as a class, to provide the larger portion of the expenses of that war,—and exempting other classes, equally blameable for its origin, if blame there be, and more able to pay, from contributing their fair share of this national burden. Similar cases of inequality and injustice frequently arise under indirect taxation, which could not occur under an equitable system of direct taxation, because the effect of such a change would necessarily be to make all classes contribute their fair share of the public burdens, according to their ability.

COST OF COLLECTING INDIRECT TAXES.

Another objection which applies to this, in common with all indirect taxes, is the large expenditure necessarily incurred for collection and management. The finance accounts for the year ending 31st March 1859, show that the net sum paid into the Exchequer was L.60,961,315, and that the sum *directly* expended in collecting it was L.4,493,621. The coast-guard service was not

included in this sum, and was estimated in other Parliamentary papers at L.826,958. Nor were the estimates for the Post-Office packet service included; and these amounted to L.1,006,337, making the grand total, connected more or less directly with the collection, management, and guardianship of the public revenue, L.6,261,161, or about ten per cent. on the net income of the year.

AMOUNT OF TAXATION ON SPIRITS—TAX ON OTHER ARTICLES.

It is willingly conceded that it does not follow from the facts already stated, that all taxed articles are increased in price in the same proportion as ardent spirits; but, on the other hand, it must be remembered that this tax affords by far the largest source of revenue of any one taxed article. In the year ending 31st March 1860, the net amount of the duty on spirits, as appears from the finance accounts, was L.12,302,614; and adding the increase at the rate of L.1,500,000 per annum which we are now paying, the yearly amount of the tax should be L.13,802,614. The tax on the kindred article of wine was L.1,634,287; on hops L.456,159; and on malt, L.6,648,881. These are all, in effect, taxes on intoxicating drinks, and may be safely held to follow the same rule as spirits, respecting the average additional charges made for profit on the capital advanced in payment of duty. These taxes amount to L.22,541,941, whilst the net produce of all the other indirect taxes arising from excise and custom duties, was only L.23,589,609; and of this sum no less than L.17,949,173 was raised by a tax on five articles—sugar, tea, coffee, corn, and tobacco—of which the working classes and other classes having about the same or somewhat larger incomes—say up to 50s. per week—must, from their preponderating numbers, and from being large consumers of all the articles—and more especially of the first four as part of their daily food—pay by far the largest proportion.

TOTAL BURDEN OF INDIRECT TAXATION.

The object of this paper is not so much to attempt to compute the exact amount of the loss sustained by the public through the system of indirect taxation, as to prove that a very large loss is thus sustained. Without, therefore, going into any minute calculations respecting the loss arising from the various indirect taxes, but leaving each investigator to make detailed calculations for himself, it may be here stated, that from the data already furnished, it is apparent that the L.22,541,941 paid into the exchequer as taxation from intoxicating drinks must cost the public at least 50 per cent., or L.11,270,970, more than the Chancellor of the Exchequer receives; and to this sum has to be added all the Government expenses connected with the collection and management of these revenues. It is obvious that nearly the whole of this enormous sum, which is absolutely wasted, might be saved under an equitable system of direct taxation.

It must be equally obvious that a further saving might be effected by substituting direct taxation for the L.23,589,609 derived from the other customs and excise duties. It would be difficult to estimate with accuracy, what this saving might amount to, because of the great difference which exists respecting the rate of profit charged by the retailers of the different articles; but there can be no doubt that a general average rate of 25 per cent. on the amount of the taxes, as forming part of the price of the taxed articles, on which at least this average rate of profit must be charged, would be a low estimate of the additional sum paid by the consumer above what is received by the Government; and this would amount to L.5,897,402. There would also be a large saving on the L.6,326,916 expended in connection with the collection and management of the public revenues, the ultimate amount of which, by the total abolition of indirect taxation, could not be estimated at less than three millions of pounds. These three sums added together amount to L.20,168,372, being double the amount of last year's income and property-tax; and it is believed that the whole of this sum might ultimately be saved by the proposed change. Indeed, there are grounds for maintaining that the saving would be much greater; and the arguments in support of this view have been ably stated in several of the publications of the Liverpool Financial Reform Association, a body which has done so much to promote the cause of enlightened progress. But perhaps the greatest benefit of all would be the indirect advantages which would flow from freeing the trade and commerce of the country from all the restrictions and impediments to progress which the present system necessarily involves, and sweeping away at once the entire system of custom-houses, bonded warehouses, coast-guard establishments, and officers of excise—a change which, in its ultimate influence on the prosperity of the kingdom, in all its interests, would probably exceed in amount the estimated saving already mentioned, or any estimate which might now be formed of the probable results. A property tax of L.36,000,000, and a house tax of L.7,434,490, as is afterwards explained, would replace the whole revenues lost by the total abolition of all these duties.

OBJECTIONS TO REPEALING THE SPIRITS DUTY—IMPROVED PLAN.

There are many persons who entirely approve of the principles which have been advocated in these pages, and yet have serious doubts respecting the policy of repealing the taxes on intoxicating drinks. They do not deny their financial injustice, or their inequality as burdens on the different classes of society; but they fear that great social and moral evils would arise from cheapening these dangerous stimulants so much as they would be if the taxes on them were abolished; and it cannot be denied that there are serious grounds for entertaining these fears, more especially

on any such change first coming into operation. If these fears are held to be an insuperable obstacle to the abolition of these taxes, there must be all the greater urgency, on every principle of justice, for abolishing the other indirect taxes, including those on sugar, tea, coffee, corn, and other articles, which press with such severity on the same classes that are so heavily taxed by the duties on these stimulants. Adopting this view, then, and starting anew with the same property tax and house tax which have been proposed, and retaining the taxes on intoxicating drinks,—nearly all the other taxes, direct and indirect, must be abolished, as the following sources of revenue would suffice for the whole national expenditure, even if it were maintained at the extravagant amount of seventy millions—a contingency which can hardly be anticipated:—

1. Property tax, - - - - -	£36,000,000
2. House tax, - - - - -	7,434,390
3. Tax on intoxicating drinks, less the reductions on wine, brandy, and hops, made during the present year, say £900,000, - - - - -	21,641,941
4. Tax on tobacco, - - - - -	3,731,000
5. Post-office, - - - - -	1,325,083
6. Crown lands and hereditary revenues, - - - - -	285,450
7. Fees of public offices, - - - - -	113,913
8. Dog tax, - - - - -	193,643
	<hr/>
	£70,730,420

The tax on tobacco has been calculated at only one half of the present rate, and to produce two thirds of the present revenue, because of the great extent of smuggling, which would be prevented by the reduction, and the increase of revenue which would thereby arise, as well as from increased consumption. The post-office revenue is taken at the amount for last year, as are the crown lands and the fees of public offices. The dog tax is included, not so much for the sake of the revenue, as for police purposes, to prevent the intolerable nuisance which would arise if no such tax existed. With the exceptions named, all other taxes might be abolished; and the general result of the national taxation, as thus adjusted, would not be inequitable, because L.36,000,000 would be laid on property, and L.34,730,420 would be fairly apportioned on the inhabitants generally,—with this exception, that the working classes would pay much more than their fair share of the L.21,641,941 raised from intoxicating drinks, they being the great consumers. It is believed that in many other countries, at least one half of the national taxation falls more or less directly on landed and other property, and less than one half as personal taxes on the people; so that, if the plan now suggested were adopted, the owners of property in this country would have no room to complain, because, even under the new arrangement, they would probably be less heavily burdened than the propertied classes in other countries.

THE TAXATION WHICH WOULD BE REPEALED.

The amount of taxation now existing which would be repealed if the plan proposed were adopted, would, according to last year's finance accounts, be as follows:—

1. CUSTOMS—including Sugar L.6,007,081; Tea L.5,404,873; Corn L.499,268; Coffee L.441,456; Tobacco L.1,865,504; Currants L.368,886; Raisins L.151,773; less duties repealed during the present year to the extent of—say L.1,000,000;	L.19,057,983
2. INLAND REVENUE—including Licences L.1,463,813; Paper L.1,291,768; Railways L.359,212; Stage Carriages L.127,662;	3,360,405
3. STAMPS—including Deeds L.381,188; Bill Stamps L.565,233; Receipt Stamps L.887,874; Licences and Certificates L.220,247; Newspapers L.141,557; Legacies and Succession L.2,104,670; Probates of Wills L.1,240,062; Fire Insurance L.1,432,324; Marine Insurance L.323,517;	8,040,090
4. ASSESSED TAXES—including Land Tax L.1,137,034; House Tax L.796,880; Servants L.183,290; Carriages L.319,236; Horses L.358,587; Game Duties L.145,927;	3,083,930
5. INCOME TAX—Last year's, produce of,	9,666,141
6. NEW TAXES—Imposed last session, suppose the proceeds to be,	500,000
	£49,658,549

The abolition of all these taxes, and the substitution of only the taxes on property, and on the occupants of inhabited houses, would certainly be a boon of immense magnitude to all classes, except the comparatively small number of owners of property, of certain kinds, who are now unduly favoured at the expense of the other classes.

DIRECT TAXATION BASED ON EQUITABLE PRINCIPLES.

Many persons agree, in the abstract, with the opinions now expressed in favour of direct taxation based on equitable principles, who yet doubt whether such a system can be devised; and they have very properly required that every proposal professing to be of this nature should be explained in detail, and submitted to the test of public opinion. In compliance with this reasonable demand, the writer will explain, out of the many good plans which have been suggested, the one which he prefers—because it is surrounded with fewest difficulties, would be most equitable in its operation, and, from its simplicity, be most easily carried into effect.

In laying on direct taxation to the extent required by the abolition of the excise and customs duties, it would be necessary to provide that the working-classes and others who, although not strictly belonging to that class, may have incomes of the same, or somewhat larger amounts—say up to 50s. per week—should not escape from the payment of their fair proportion of the new taxes; and this condition could not be justly complained of, because their share of these would necessarily be less than the amount they now pay of indirect taxation. Several modes have been proposed of laying on these taxes so as best to accomplish this end, all of

which would be improvements on the present system. For the details of these, reference is made to the evidence taken before the Select Committee of the House of Commons on the income tax, in 1851 and 1852.* It appears to the writer that

* This committee was appointed on the motion of our late distinguished countryman Joseph Hume, M.P., "to inquire into the present mode of assessing and collecting the income and property tax, and whether any mode of levying the same so as to render the tax more equitable can be adopted." It included a number of distinguished members belonging to the different political parties, and was most ably presided over by Mr Hume. In 1851 it could not make much progress with the inquiry, but the committee was reappointed on the assembling of Parliament in 1852. After taking much valuable evidence, the committee reported the same to the House, but without expressing any opinion, from want of time to complete a report.

Amongst the witnesses examined were a number of prominent officers of great experience from the different revenue departments. Three gentlemen from the United States were also examined, to describe the system of direct taxation which is in operation there; and as one of them had been practically employed in laying on the taxation in the State of New York, he was able to give minute and accurate information, respecting all the details.

Five eminent actuaries residing in London were examined, including the Vice-Presidents and honorary Secretaries of the Institute of Actuaries. These five gentlemen were, Messrs Hardy, Nelson, Jellicoe, Brown, and Williams. Mr Erskine Scott, actuary in Dundee, and Mr Jeffrey, a number of, and debated by, the Liverpool Financial Reform Association, were also examined; as were Mr John Stuart Mill, and Dr Farr, the distinguished head of the statistical branch of the General Register Office. There were likewise a number of other well-known parties examined. There was, as a matter of course, on the part of the Government revenue officials, the usual sclerotic hostility to any change; the usual defence of things as they are; and the usual alleged impossibility of carrying any improved plan into effect. Other two of the witnesses, Mr Warburton and Mr Babbage, expressed a preference for the existing system to any of the plans which had been suggested. Mr John Stuart Mill wished to preserve the present form of assessment, but to make certain specified abatements to classes which he considered unduly taxed; and the other witnesses generally, including all those whose names have been mentioned, stated their disapproval of the present system, as being unjust in principle, more especially in so far as it taxed professional and trading incomes and terminable annuities, at the same rate per cent on the yearly return as incomes derived from property held in perpetuity. The changes recommended by these gentlemen differed considerably in degree, although they all tended to the same result—to mitigate to a greater or less extent, the inequality and injustice with which, as they severally proved, the present system is chargeable. They agreed in opinion that all incomes should be capitalised; that the tax should be levied in each case with reference, not to the gross amount of the annual income, but to the amount of this capital sum; and that the computation should be so made as fairly to represent the true capital value of all incomes.

Some of the witnesses argued that all professional and trading incomes should be capitalised according to the ages of the parties, on the same principle as ordinary life annuities are valued, without introducing any deductions. Others argued that deductions of from one and a half to three years' value of these annual incomes, should be made before capitalising them, on account of the contingencies which might affect such incomes, from loss of health and other causes. Others of the witnesses urged that professional and trading incomes, should be capitalised at from 3½ to 7 years' value of the annual income, and that this capital sum should be regarded as representing the income depending on professional or trading labour and skill, apart from the capital employed; but that all the real and personal property, including stock in trade, money, furniture, books, plate, and all other funds and effects, belonging to the professional and trading classes, should be valued as so much capital, and be charged separately, in addition to the strictly trading or professional income, in the same manner, and to the same extent, as the capital belonging to other classes; and all these actuaries and other skilled witnesses, including Mr Farr, agreed in opinion, that there would be no difficulty whatever in cou-

of all the plans which have been suggested, the combination of a justly-devised property tax, with a house tax extending to all classes without exception, would have advantages over any other plan; because the property tax would reach all property and capital wherever it was found of sufficient amount to defray the cost of collection, and leave a residue for the exchequer; and the house tax would reach those who had not been so fortunate as to acquire property or capital, but who were, nevertheless, bound to pay for the personal protection afforded them by the national institutions.

PRESENT INCOME TAX UNEQUAL AND UNJUST.

No direct tax, based on the principle of the present Income and Property Tax, could however be accepted as a substitute for our indirect taxation, because the present tax is flagrantly unequal and unjust in its operation when applied to different classes of income and property. For example: an aged person may have purchased a life-annuity of L.100 a-year, for which he paid L.550; another person may have purchased small houses, or what is commonly called "cottage property," yielding a nominal gross rent of L.100 a-year, for which he paid L.1100; another may have purchased good house property, with a rental of L.100 a-year, for which he paid L.1650; another may have purchased railway preference shares, yielding L.100 a-year without any deduction, for L.2200; another may have purchased land with a gross rental of L.100 a-year, for L.2750; another may have purchased consols at par, yielding L.100 without deduction, for which he paid L.3333. Now, under the present law, all these properties and incomes are charged the same amount of tax annually, which—assuming that the parties had other sources of income sufficient to make up L.150 in all—would, at the recent rate of 1s. 4d. per pound, be L.6, 13s. 4d. on each, although their real value is so very different. No account is taken of the fact that the nominal yearly income of the annuitant includes nearly

abstracting simple tables by which the revenue officers could easily capitalise all incomes, and charge the tax according to the just proportions for each.

The other plan laid before the committee, was the one which has for a long period been acted on in the state of New York and several other States of the Union, according to which all the taxation, both for state, and town, and county purposes, with certain trifling exceptions, are raised. This is the plan which, in the opinion of the writer, is liable to fewest objections, and to which he has, therefore, given the preference in these pages. Mr Henley, Mr Newdegate, and other members of committee, with great industry and talent, tried hard to pick holes in all the plans which were proposed, and in many instances with success; at least to the extent of showing that inequalities would still exist under them; but the American plan was proof against all their assaults, except on a single point—that when money was lent on mortgage, the lender was charged with the property tax on the sum lent, and no deduction was made from the charge in taxing the land-owner who had obtained the loan on his property,—so that the tax was paid twice in these cases; but, of course, a remedy could easily be applied there, in the same way that it has already been applied in this country.

a sixth part of his capital; or that the house rents include not merely the interest of the money invested, but such a yearly additional sum as will suffice to maintain, and ultimately to replace, the perishable property, and cover all the other risks connected therewith.* Under a just system of taxation the parties possessing these several incomes would be charged according to the sums which their several properties cost, and for which, in the same circumstances, they could again be sold; and the proportions, relatively to each other, would be as 1, 2, 3, 4, 5, and 6, under a property tax justly imposed. Supposing the rate to be 10s. on "every L.100 worth" of all kinds of property, funds, and effects, the annuitant, in place of L.6, 13s. 4d., would be charged L.2, 10s.; the owner of cottage property, L.5; the owner of good house property, L.7, 10s.; the owner of the railway preference shares, L.10; the owner of the land, L.12, 10s.; the owner of the consols, L.15.

The total amount which the owners of all these six classes of property combined, yielding L.100 a-year each, would pay under an income tax of 1s. 4d. per pound, levied under the present law, would be L.40 per annum; and, under a property tax of 10s. per L.100, the amount would be increased only to L.51, 5s. Thus a property tax of 10s. per L.100, and an income tax of 1s. 8½d. per pound, would, on these classes combined, yield the same annual amount of revenue, although the taxation would be much more equitably distributed under the proposed system, than under the present law. Nothing could be more easy or simple than the construction of capitalised tables, framed on these principles, applicable to properties of whatever kind, to be used by the revenue authorities in laying on the tax, even if the present form were preserved of levying it at its origin, from the occupiers or holders of the property, and leaving them, to obtain repayment from the owners.

But unjust as some of the cases mentioned are, other classes of incomes are dealt with still more unjustly, by the present law,—such, for example, as those of persons who, from their professional labour and skill *alone*, realise incomes of L.150 a-year, without possessing any capital or other effects, except, perhaps, L.50 or L.100 invested in household furniture and books. Of these classes there are large numbers in every quarter, including amongst them many ministers of religion, surgeons and lawyers in country districts, schoolmasters, clerks in public offices, and confidential clerks and managers of private businesses. Many of these persons have no means of effecting savings. On the con-

* On every £100 of the capital value of these properties, an income tax of 1s. 4d. per pound, levied on the present system, uniting fractions, is:—

On funded property, 4s. per £100.	On house property, 8s. per £100.
" land property, 1s. 1d.	" cottage property, 12s.
" railway property, 6s.	" annuity property, 24s.

trary, they have much difficulty in paying rent, and finding food, clothing, and education for their families; and yet they are taxed to the same extent as persons whose incomes of L.150 a-year are derived from L.5000 of their own money invested in land, or the public funds.

WHAT A JUST PROPERTY TAX SHOULD INCLUDE.

A just property tax implies that property of every kind, real and personal, whether realised or embarked in trade, commerce, agriculture, shipping, or professional pursuits, or in any other way, should be included, and pay its fair proportion. It should include all funds and effects, whether yielding income or not, which could be converted into money by sale. It should include, for example, vacant building land, household furniture, pictures, statuary, plate, carriages, horses, cattle, and machinery. It should also include stock in trade, capital employed in farming operations, and money in hand or lent, deducting, in all cases, the debts owing. All this property should be valued once a-year by the owner, and the amount should be stated in his return as showing, to use a colloquial phrase, "what he is worth." His landed property, railway shares, money in the public funds, or lent on security, and all other effects on which the tax might be charged at its origin, from the occupiers or holders, as at present, should, of course, be omitted from the return; as the tax on them would reach the exchequer by the present channel, although, according to a more equitable mode of ascertaining the proportion payable on the different classes of property—depending on the value of the capital represented in each case. The valuation of each person's property and effects, included in his return, would be made, not according to the nominal income realised, but according to their true worth as a capital sum, on the same principle as they would be valued for creditors under a bankruptcy, or by executors on the death of the owner, or by persons engaged in trading pursuits when they "take stock" yearly, to ascertain their true annual profits, and "how much they are worth," after deducting all just and lawful debts. The question "What did you make last year?" would be cancelled, and the question "What were you worth last year?" would be substituted.

UNITED STATES PROPERTY TAX, AND EXEMPTIONS.

The maximum amount of property, capital, or other effects which it has been thought right to exempt from property tax, by our brethren on the other side of the Atlantic, has been fixed at 250 dollars, or L.50, after an experience of many years, during which the fairness and advantages of this rule have been established—all property and funds exceeding the value of L.50 being chargeable. The system is thus described by an American witness examined before the Select Committee of the House of Commons in 1851,

Colonel B. P. Johnston:—"The real estate is required, by a late law, to be assessed by the assessors at the value at which it would be adjudged in payment of a *bona fide* debt; that is, at its actual cash value in the market. That is the requirement of the law. The personal estate liable to taxation is, all that a man has over and above his just debts, and the property which by law is exempt from execution. We have a statute that exempts the property of every householder to a certain amount from execution. . . . It includes his furniture necessary for his family, bed, bedding, chairs, tables, stools, cooking utensils, and stoves. The amount is about 150 dollars; and a family library to the amount of 25 dollars, and also a seat in any religious house of worship, if he has one. That property is not liable to taxation at all.⁵ The exemption also includes "The food for a cow and pig. . . . 250 dollars (about L.50) would probably be in those cases the highest amount" exempted; and every class, rich and poor, is entitled to this deduction from the real value of their property. Mr A. Smith says a similar law exists in the state of Texas, to which he belongs: "Throughout the state, buildings for religious purposes and for education, with ten acres of land on which they are situated, libraries, and fixtures connected with the same, and 250 dollars' worth of furniture, are absolutely exempt, in all circumstances whatever, from taxation. . . . So that he shall have a house to live in, a bed to lie on, a table to eat upon, and a pot to cook in." He afterwards states that the "personal property" thus valued for the purposes of taxation "consists of everything as interpreted in the English common law—namely, bonds, mortgages, promissory notes, money lent at interest, horses, cattle, sheep, carriages, and household furniture, ships, steamboats, and barges. . . . store property is also taxed in the same way," and "every other description of property which a man possesses." This description includes slaves, which they call "property."

EARL OF DERBY—MR PITT'S PLAN—MARQUIS OF LANSDOWNE'S.

According to the system described, a man who possesses L.60 is thus charged only on L.10; one who has L.100 is charged only on L.50; and other amounts are subject to the same deduction. It may be noticed here that the Reform Bill introduced by the Earl of Derby's Government adopted this American rule, but applied it to the enfranchisement of the people, by providing that every man who had saved L.60 should be entitled to the elective franchise, whilst those who had saved less than L.60 should be excluded. The logical conclusion from the premises would obviously follow that the owner of the L.60, thus admitted to all the rights of citizenship, should likewise bear all its burdens, including payment of the property-tax; but it was no doubt justly considered that, through the indirect taxation which exists, his burdens were already beyond the proportion borne by other

classes, and, therefore, that it would be unfair to impose this additional burden upon him. It may be noticed, too, that a law not very different in its effects from that which now exists in the United States, formerly existed in this country. When, in 1799, Mr Pitt carried his Income Tax Act, 39 Geo. iii. cap. 13, all incomes under L.60 per annum were exempted, and all those at L.60 and above were charged according to a graduated scale, beginning at the 124th part of the L.60 income, and ending with the one-tenth part of the incomes of L.200 and above. In 1803 the maximum rate was reduced to 5 per cent. In 1806 it was advanced to 10 per cent. In that year the present Marquis of Lansdowne carried through an amended Act, by which the exemptions of incomes under L.60—so far as they were derived from lands, tenements, or other realised property, such as dividends, and interest of money—were entirely abolished, and all such incomes, of whatever amount, with certain trifling exceptions, were made chargeable. These exceptions were in favour of the labouring classes, who occupied cottages of their own, worth not more than 40s. a-year, or who possessed other property worth not more than L.5 a-year, provided their wages did not exceed 30s. weekly. In the case of incomes derived from professional and trading pursuits, the minimum of L.60, fixed by the former acts, was reduced so that all incomes of L.50 were made chargeable—those of smaller amount, and the wages of artisans, whose earnings did not exceed 30s. a-week, being exempted. This act continued in operation till 1816 without any important alteration, when the tax was abolished. It thus appears that our own past experience, as well as that of our American brethren, is in favour of a tax on small amounts. It was not till the passing of the Act of 1842 that the present practice of exempting large classes was introduced, and it was justified by Sir Robert Peel, only as a temporary measure, and on account of the great pressure of the indirect taxation on the exempted classes.

EXEMPTION OF FARMERS—FAVOURING THE LANDED INTEREST.

It may be here mentioned in passing, that the earlier Acts were much fairer as respects the incomes of farmers, compared with other classes, than the Acts now in force. By the Act of 1806, when other persons having incomes of L.200 a-year, or more, were charged at the rate of 2s. per pound, farmers in England were charged at the rate of 1s. 6d. per pound on the entire rent of their farms, and in Scotland at 1s. per pound, which, it was assumed, would fairly represent the net profits derived from the different classes of farms. By the present rule, if other classes should be charged 2s. per pound, farmers in England would be charged only at the rate of 1s. per pound, and in Scotland and Ireland at the rate of 8d. per pound, to represent their profits, although the capital now employed in farms, as compared with the period prior

to 1816, must have greatly increased, and the net profits must have increased in the same proportion. In addition to the injustice to the other classes thus committed by favouring the landed interest, all farmers in England who now pay less than L.200 a-year, and in Scotland and Ireland who pay less than L.300 a-year, are entirely exempted from the tax, however large their profits may be. These exemptions did not exist in the Acts of 1799, 1803, or 1806.*

ESTIMATED VALUE OF PROPERTY IN THE UNITED KINGDOM.

Applying the rule already described of capitalising all property and effects at their true worth once every year—entirely exempting persons whose whole effects are worth less than L.50, and making a corresponding deduction of L.50 from the value of the property and effects of all other classes—it is believed that the real and personal property of the United Kingdom might be estimated at nine times the present amount of the national debt, funded and unfunded, or, in round numbers, at 7,200 millions of pounds. In this estimate is included the value of foreign and colonial investments belonging to persons resident within the United Kingdom, because these are all liable to the present income and property-tax. If the time allowed for reading papers would admit of all the facts and arguments in support of this estimate being stated, the writer has no doubt that the case would be held to be conclusively proved; but as this is not the case, the probable estimate of 7,200 millions must for the present merely be stated, unaccompanied by the probable evidence which could be adduced.

AMOUNT OF PROPERTY TAX REQUIRED.

Taking this estimate of the value of property within the United Kingdom as correct, a tax of 10s. for every L.100 worth of property would produce L.36,000,000 per annum; and if the amount of the present income-tax had to be provided in addition, the rate would be 12s. 6d. In the State of New York the corresponding tax, on real and personal property, valued in the same way, was 20s. on every L.124 worth of property, as appears from the evidence given in 1851, before the Select Committee. In Massachusetts, in 1859, the average rate was 20s. on every L.133 worth of property.† These rates include all taxes for State Government; for town and county purposes; and for education and

* See also page 29.—The total exemption of all farming stock from the fire insurance tax of 3s. per L.100, which all other classes pay, is another flagrant instance of favouring the landed interest at the expense of all the other classes.

† There is an interesting paper by Edward Jarvis, M.D. (Boston, U.S.), on the taxation of Massachusetts, in the Statistical Journal for the present month (September); and, in a note by the editor, there is a curious error, representing the amount of the direct tax as equivalent to only one per cent. per annum on the income, and therefore much less than our income tax; whereas it is, even according to the editor's own figures, equal to nearly ten per cent., and these figures understate the amount.

public works,—the expenses of the Federal Government being defrayed from the customs levied at the ports, and from the sale of public lands.*

AMOUNT OF HOUSE TAX REQUIRED.

The house tax is at present levied at the rate of 9d. per pound on all inhabited houses rented at L.20 or upwards, with the exception of those which are farm houses, or partly places of business; and on these it is restricted to 6d. per pound. Last year this tax produced L.736,880. Prior to 1834 it was charged on all houses not under L.10 of rent, and up to L.20, at the rate of 1s. 6d. per pound; on those from L.20 to L.40 at 2s. 3d.; and on those above L.40, at 2s. 10d. per pound. The average rate was thus 2s. 3d. Taking the present population at thirty millions, there must be about 6,460,000 inhabited houses in the United Kingdom, and not more than 417,722 are chargeable with the present house tax. Including Ireland, the number would be about 460,000.† It will approximate with sufficient

Dr Jarvis says that, in 1859, the tax was "6 dollars and 60 cents on the 1000 dollars of *property*, or about one dollar and 60 cents of *one per cent.*" not on the income, but on the value of the property. He then says the "taxes in Dorchester, [from which he has taken this example] are somewhat *lower* than the average of the towns in Massachusetts." Suppose, then, the *average tax* in the other towns to be 7 dollars 60 cents, or 7 1/2 per cent. Now, according to this would be one dollar on every 133 dollars of property. In the *Morning Star* of the 27th of this month the published list of the Massachusetts 5 per cent. sterling bonds "was 103—the quotations being at \$s. 6d. to the dollar." Thus 1.33 will purchase bonds for the quota of 1.229 in the funds of that state. The interest will therefore be 1.229 x 5 = 6.145 per cent. num; and as the tax-gatherer will carry over the 1.229 tax really at the rate of 15 per cent, it will be 1.229 x 15 = 18.435 per cent. num; or, as stated by the *Statistical Journal*, and as Mr. W. Newnham in a paper read before the Social Science Association, Again, taking three per cent. interest from our Consols at par, or from the same yield of land, and applying the Massachusetts rule, one of these, the tax will be 25 per cent. out of the income, and the tax-gatherer will have 1.229 x 25 = 30.7375 per cent. num; or, if we suppose the tax per pound on the net rent of land, and the net income of sixteen years of age and upwards, but * upon all made *deductible*, we have 1.225, 000, of the United Kingdom this tax would produce 15,312,500, or one sixth of the population, which is a fraction less than the male adult population according to the last census.

* In the financial year ending 30th September 1857, the taxation of the state of New York was 12,991,328 dollars; or L.2,994,402, divided as follows:—For strictly state purposes, 3,424,497 dollars; for the county of the City of New York local purposes, 8,055,000 dollars; for other counties within the state, 656,670 dollars; and for the different township local purposes, 2,267,770 dollars. The expenditure for the above mentioned purposes was 3,299,898 dollars, or L.701,228, for schools included in the above mentioned grants for England and Scotland for the year, nearly as much as the whole of the parliamentary grants for England and Scotland for the same purposes during that year, although the population of the state is under four millions. The expenditure likewise includes large sums for public works, such as canals, bridges, &c., and other reproductive works.

^a It appears from a parliamentary return that, during the year ending in April 1850, there were in England 169,010 houses charged to the house tax at £20 and upwards; 115,711 at £25 and upwards; and 92,071 at £30 and upwards, or 379,743 in all. Add one-tenth to the number for Scotland as being the poorer country, and in all the probable number now charged will be 417,722. If Ireland's are included, and the probable number now charged will be 417,722. If Ireland's are excluded, — say \$2,278,—from had only about the same number of taxed houses as Scotland.—The total number of being still poorer, although having double the population,—the say total number of houses within the United Kingdom, at £20 rent and upwards, including a large number of duplicate houses, would be 469,000. (*Returns dated 22d August 1860.*)

accuracy to the real facts, for the purposes of this paper, to assume that one fourth of the houses not chargeable are rented from L.10 to L.20, or at an average of L.15; another fourth at from L.6 to L.10, or an average of L.8; and that one half, or three millions, are rented under L.6, or at an average of L.4.* Now, if the tax were extended to all these classes, at the former average rate of 2s. 3d. per pound, it would produce the following revenue:—

	17,722 in England and Wales,	
	the rate being increased threefold,	L.2,390,640
1. 460,000	42,278 for Ireland—prospective revenue	150,000
2. 1,500,000	houses, at £15, rent, 3s. 9d.	2,531,250
3. 1,500,000	do., at £8, do. 18s.	1,350,000
4. 3,000,000	do., at £4, do. 9s.	1,350,000
		<hr/> £7,771,890

As in the case of the poor rate in England, which frequently averages about the same amount per pound as the proposed house tax, and which there is no great difficulty in collecting, the owners of houses under L.6, should pay the rate chargeable on them, and collect it along with the rents from their tenants, receiving a discount from the Government authorities of 25 per cent., for the risk and the trouble of collection. This would reduce the revenue to L.7,434,390, which, added to the amount of the proposed property tax, would make the total amount of these two direct taxes L.43,434,390 +, and taking into account the smaller cost of collection which would ensue, this would more than suffice to replace the loss arising from the repeal of the indirect taxes.

* A parliamentary return of last session shows the number of male occupiers of houses in the Scotch burghs at the *real* rents under the Lands' Valuation Act thus:—

At L 10 and upwards of real rent,	-	-	-	40,066
At L 6 and under L 10,	-	-	-	33,022
Total number at L 6 and upwards,	-	-	-	73,088
At L 4 and under L 6,	-	-	-	41,798
Under L 4,	-	-	-	79,653
Total number under L 6,	-	-	-	112,456

Thus, nearly six-tenths of all the houses are under L.6 of real rent. In the above general statement for the United Kingdom, the proportions are different, because small houses in England are known to be higher reuted than similar houses in Scotland, and thus a smaller proportion of the whole houses in the United Kingdom are assumed to be under L.6 rent. The general proportions assumed are 3,460,000 at L.6 and upwards, and 3,000,000 under L.6.

4 It has been suggested that a poll tax, such as imposed in some of the New England States, would be preferable to a house tax. In Massachusetts the poll tax is said, in Mr Newmarch's paper, to be charged on males of 16 years of age and upwards. Even if this age were correct, which it is not, the burden would not be great. According to the last census report there were 5,458,815 males of 20 years of age and upwards, and 1,023,419 from 15 to 20 years of age, making the total number at 15 and upwards, 6,482,234. Adding the proportion for Ireland, and allowing for the difference between 15 and 16, and for the increase of population since 1851, the probable number of males at 16 years of age and upwards would be about 7,000,000. The tax estimated at about 400,000. A poll tax of 6s. would, therefore, produce only about £2,700,000. A house rented at L.4 would pay 9s. under the proposed

With reference to the justice of these changes, the first and most important subject for consideration which occurs, is that all classes having incomes of less than a L.100 a-year, are now entirely exempted from income tax, and that a large number of these would be liable to the proposed property tax, from being possessed of funds and other effects exceeding the value of L.50. The next consideration which naturally occurs is, that the same classes are now also exempted from the present house tax, and as they would all be charged with this higher house tax, the new burdens proposed to be laid on them might be thought unduly large. It may, however, be answered that the exemption of these classes from the present income and house tax is defensible only on the plea that they are now unfairly burdened by the indirect taxes, which it is proposed to repeal, and, thereby, to remove the only defence for the present exemption which exists. The case was very fairly stated by Mr John Stuart Mill, as respects these two taxes, in his examination before the Select Committee of the House of Commons on the income and property tax, in 1852. When asked whether he would approve of the income and property tax being charged on all classes, he answered, if it were the only tax, "I would tax all incomes that yield more than the necessities of life, and tax them on the surplus above that," and he estimates this income at L.50 a-year. He goes on to say, "But under the present system of taxation, it is right to consider whether the remaining taxes do not press more on the smaller than on the larger incomes. I conceive that they do, and that this justifies the present exemption from the income tax of all incomes under L.150 a-year; . . . the class between L.50 and L.150 now pay a disproportionate share of our indirect taxes, inasmuch as the articles upon which those taxes principally fall, are articles upon which a larger proportion of small incomes than of large incomes is expended." On being questioned regarding the house tax, he expressed similar opinions. He said "I conceive that the house tax justly assessed is a fair tax. No tax is exactly fair in all cases; but what a person spends in house rent is generally a fair criterion of what he can afford to spend altogether." He went on to state one qualification—that the mode of assessing large houses in the country, occupied by the proprietors, was unjust, as they were taxed at the theoretical value of what "they might be supposed to let for; because that

house tax whether occupied by males or females, and thus each family might be said to pay 9s. per annum. Taking the usual average of somewhat less than five persons to every family, and there being one male of 16 years of age to every three and one-third persons, this poll tax, and the house tax, would be as nearly as possible of the same average amount on all houses of about L.4 rent; but on all better houses, the house tax would be a much heavier burden than the poll tax, and would certainly be more equitable in its distribution.

would bear no proportion to what they cost to the proprietor.* He afterwards states, "I should say that the house tax was a much fairer tax than the income tax [as now levied], because the house tax makes its own allowances, which must be made artificially in the case of the income tax." There was a great deal of other evidence given before the same committee, also on high authority, in support of these and similar views, which the limits of this paper will not admit of being quoted. Seeing, then, that by the proposed plan all the obnoxious indirect taxes are to be abolished, the objections to extending the property and house tax, so ably stated in this evidence, would no longer exist. Indeed, it could easily be proved that these classes would be the greatest gainers by exchanging the old burdens for the new.

PROFESSIONAL INCOMES.

It may perhaps be urged as an objection to this plan, that it imposes no tax on incomes derived entirely from professional skill or labour; but it must be remembered that all the capital and other property in any way employed in connection with these occupations, is proposed to be charged to the same extent as property and capital belonging to other classes. The savings effected by such persons become capital at the end of the year, and, of course, are chargeable with the property tax during the

* Not only are the first-class houses in the counties thus undervalued, but farming being valued greatly under what houses costing the same sum to erect are valued at in cities and burghs. Many curious proofs of this system of favouring the landed interest will be found in a parliamentary return of last session, respecting the counties and burghs of Scotland. The county of Sutherland, for example, has a real rent, according to the Lands Valuation Act, of L.52,375; and 4943 inhabited houses, including the princely mansion of Dunrobin Castle, occupied by the Duke of Sutherland; and the sum paid as house tax by the entire county is only L.63 a year, while every private house in London, rented at L.1700 a year, pays L.63, 15s., and every hotel, rented at L.2550, pays the same sum. The real rent of the county of Caithness is L.91,195; the number of inhabited houses, 9652; and the amount of house tax paid by the entire county, including the Earl of Caithness and all the county magistrates, is only L.55. Orkney and Shetland have a rental of L.62,805, and 11,334 inhabited houses; and they pay of house tax L.17. Eight and Nairn have a rental of L.141,781, and 9604 inhabited houses, and they pay L.140. Banff has a rental of L.158,803, and 10,662 inhabited houses, and pays L.101. Linlithgow county, within a few miles of the city of Edinburgh, has a rental of L.103,559, and 4059 inhabited houses, including the princely mansions of the Earl of Hopetoun and the Earl of Rosebery, which the Queen and also George IV. went to visit, and a number of other large houses, including the Earl of Buchan's, belonging to county gentlemen; and the total payment for house tax is only L.183. Not only are the rents of the large houses charged on a wrong principle, as stated by Mr John Stuart Mill, in order to lessen the amount of the house tax chargeable upon them, but, what is still worse, a very large proportion of the farm houses and other good houses are valued at less than L.20 rent, although worth much more, according to the cost of their erection; and thus they escape payment of the present house tax altogether. The county of Lanark pays L.2616, and the other twenty-nine counties together pay only L.14,526; while the city of Edinburgh, with about one-tenth part of the population, pays nearly so much, L.15,338. Glasgow pays L.9211; and, including these two, all the cities and burghs pay L.31,205. The house-tax, as now levied, is substantially a tax on towns.

succeeding year. Where the whole income is periodically spent, there can be no charge according to this plan, because no property or funds exist on which a charge could be made; but all these parties would pay a larger share of the house tax, and other taxes, according to their larger expenditure, as compared with others having the same annual incomes, but who spent only a portion of them. These and other objections were amply discussed before the Select Committee of the House of Commons, in 1851 and '52. One of the witnesses from the United States, the Hon. D. Sellon, when examined respecting a tax on income, as distinguished from value, said the assessors "do not regard income *except as it may constitute a portion of the evidence out of which they may arrive at the value.*" When asked whether they had any tax on professional incomes, or on the profits of business, similar to our schedule (D.), he said they had not; that their tax was levied only on property, according to its capitalised value; that "profits are a thing that cannot be called property. If a man dies, they are gone; they are in anticipation of his subsequent year's earnings. If he has already earned the money, it is property. When you introduce profits, you cannot speak of that; it is a thing in the future." It was explained by him and other witnesses, when asked respecting professional incomes, that "most professional men in New York have property, but they are not taxed on profits; they are taxed upon their property." The value of each man's real and personal property is entered in separate columns in the assessment books, which are open to the inspection of the public. Few disputes about these valuations take place, and when they occur they are easily settled by the local assessor, or the board of supervision, to which an appeal may be made without the necessity of employing any legal agent, or incurring any expense.

OBJECTIONS TO THE PROPOSED PROPERTY TAX, CONSIDERED.

It appears to the writer that the facts and arguments which have been adduced cannot be disproved, in so far as they are intended to show the injustice of the present system of taxation, and the necessity which exists for some great change of the kind proposed, or which will, at all events, produce the same effect—that of fairly distributing our national taxation amongst all classes of the people, according to the benefits they receive and the means they possess. Still, it may be urged that the plan of laying a tax on property according to the value of the capital, and not according to the annual income, should be opposed, because, as these objectors will say, it is a new and untried scheme in the history of this country, and because it exists only in the United States. This plea of novelty has been the grand argument of obstructives in all ages. They have opposed every improvement which has been attempted in the legislation of this country, on that,

amongst other grounds. When no solid argument can be adduced against an improvement it is easy to say that the proposal is new and untried, and not in conformity with the principles sanctified by the wisdom of our ancestors! If our brethren in America should have adopted any similar plan, many of these objectors would make this an additional ground of clamour and resistance. But even these grounds of opposition, weak and illogical as they are in all cases, do not apply to this case, even in appearance, because the plan now proposed of taxing property according to the amount of capital which the different kinds of income truly represent, and not according to the gross nominal income, is not new in the history of this country, but has been sanctified by the wisdom of our ancestors, and borrowed by our American kinsmen, from our statute book, where the principle was embodied long before the United States existed as an independent government,—although, by a legal fiction adopted to favour the landed interest, that principle has, in practice, been allowed to remain in abeyance for many years.

PROPOSED PROPERTY TAX—ONE OF OUR ANCIENT INSTITUTIONS.

The history of the land tax as embodied in the annual supply Act, iv., William and Mary, and continued in other supply Acts of later date proves this. The Act provides, that "every one hundred pounds' worth" of all "goods, wares, merchandise, or other chattels, or other personal estate" shall pay annually "the sum of four and twenty shillings" of property tax, or nearly two and a-half times the amount now proposed. It likewise in effect enacts, that "every L.100 worth" of land shall pay 24s. a year, because the value of land was then about sixteen years' purchase, "every L.100 worth" was computed to yield L.6 per annum of rent; and every L.6 of rent was therefore required to pay 24s., being 4s. per pound. The legal interest of money was then 6 per cent.; and every L.100 lent was therefore required to pay 24s. out of the interest thereof, or 4s. per pound. The same Act authorised money to be borrowed on the security of the revenue, at the rate of 7 per cent. The following are the leading clauses of this act:—

"That all and every person, bodies politick and corporate, guilds and fraternities, &c., having an estate in ready monies, or in any debts whatsoever owing to them, within this realm or without, or having any estate in goods, wares, merchandise, or other chattels, or personal estate, whatsoever, within the realm or without, belonging to or in trust for them (after deducting therefrom all debts owing by them, and all *bad debts* owing to them), shall yield and pay unto their Majesties *four shillings in the pound*, according to the *true yearly value thereof* for any one year; that is to say, for every L.100 of such ready money and debts, and FOR EVERY ONE HUNDRED POUNDS' WORTH of such goods, wares, merchandise, or other chattels, or other personal estate, the *sum of four and twenty shillings.*"—(§ 2.)

The clause imposing the tax on lands and tenements, is as follows:—

"And to the end a further aid and supply for their Majesties' occasions may be raised by a charge upon all lands, tenements, and hereditaments with as much equality and indifference as is possible by a pound rate of 4s. for every 20s. of the true yearly value for one year, and no longer; be it enacted that all descriptions of lands, &c., are hereby charged, for one year only, and no longer, with the sum of four shillings for every twenty shillings of the full yearly value."—(§ 4.)

The holders of government offices were obliged to pay, on their salaries, the same rate as landowners and owners of moveable property, by the following clause:—

"All persons exercising any public office or employment shall pay unto their Majesties the sum of four shillings for every twenty shillings which he or they do receive in one year by virtue of any salaries, gratuities, bounty-money, reward, fees, or profits to him or them accruing."

It will be observed that "the true yearly value" of the lands was required to be taken; and the same words were continued in all the supply Acts during a long series of years; but it is matter of history that, although during the first year of the assessment "the true yearly value" was ascertained and taxed, there never was another survey or valuation made for the purposes of this assessment. The tax, varying in amount as fixed by Parliament, has continued to be levied on the rental of 1692; and, in many cases, the rate, which is still levied in the old form, is not two-pence per pound on "the true yearly value" of the lands at present. If this tax were now levied as originally imposed—"for every one hundred pounds' worth of such goods, wares, merchandise, or other chattels, or other personal estate, the sum of four and twenty shillings," and an equal proportion for all lands and other real estate, so as to include the true value of the whole real and personal property of the kingdom, estimated at 7200 millions, it would yield L.86,400,000 per annum, and thus greatly exceed our wants, although no other tax were levied.

INJUSTICE OF LANDOWNERS—MR JOHN STUART MILLS' OPINION.

The injustice inflicted on all other classes by the landowners in evading this land tax has been very great; and, as it was imposed on them in lieu of certain feudal obligations which they were bound to perform to the Crown, of a still more onerous nature, and from which they had recently been relieved, the transaction amounts to a distinct breach of faith on their part towards all the other classes. Mr John Stuart Mill, when examined on this subject before the Committee on the Income Tax, said: "The land tax, it seems to me, is simply a reserve made by the state of a certain portion of the rent of the land, which never properly belonged to the present owners. They or their predecessors were liable to feudal obligations which, if fairly commuted, would have required from them a payment of a much greater amount than the present land tax. . . . The last of these (feudal charges) were abolished in the time of Charles the Second,

therefore only a short time before the first imposition of the land tax, the proportion of which was larger then than it is now, having been since reduced." Mr Henley inquired, "How, then, do you form your opinion that they would have been higher than the present land tax?"—"Because the land tax bears a very small ratio to the value of the land; and as the land was granted for the purpose of feudal service, it cannot well be supposed that the burthen of that service was only a twentieth or a thirtieth part of the value of the land."

EFFECT OF THE PROPOSED PROPERTY TAX.

It has been argued, in opposition to similar proposals for imposing a tax on property according to its real value, that it is wrong in principle to impose any tax of this kind, because the principal sum is thereby affected, and the accumulation of property necessarily discouraged. Such an objection hardly merits serious notice; but it may be stated, in answer that, even if all the capital and property within the United Kingdom were to yield a net return of only $3\frac{1}{2}$ per cent. per annum, after allowing for all risks and depreciation, this restricted amount would be L.3, 10s. for every L.100; and as the proposed tax only requires 10s. of this sum annually, the whole capital would therefore be left untouched, with L.3 added to it at the end of each year; and, what would be equivalent to a large addition, would accrue from the diminished expenditure which would take place, owing to the abolition of so many oppressive taxes. In this way the net residue of L.3 left to every person who possessed L.100 worth of property would go nearly as far under the new system of taxation as the L.3, 7s. 1d. which now remains after the present income tax of 10d. per pound is deducted.

AMOUNT OF INCOME, AND NUMBERS OF EACH CLASS.

It would be an interesting fact, if it could be ascertained, to know what proportion of these taxes would fall on the working classes and others who, although not properly coming within that designation, have incomes not larger than that of the best paid artisans, say not exceeding L.2, 10s. per week, or L.130 per annum.

This class includes a vast number of persons who, although of "the working classes," in the literal sense of the word, are not persons employed by masters, and earning weekly wages; and they are not, therefore, entitled to be described as belonging to "the working classes," in the common acceptation of the words. For this reason, the more comprehensive term of "50s. a-week class" has been employed. It includes a large number of shop-keepers, small farmers, and masters, such as masons, bricklayers, joiners, plumbers, glaziers, smiths, shoemakers, tailors, and manufacturers. It includes large numbers of keepers of

public houses and beer-shops; clerks and foremen in factories, masters and mistresses of schools; country lawyers, surgeons, and ministers, and numerous other occupations. The interests of all these classes, as consumers of taxed articles, are identified with the interests of the skilled artisans, who enjoy the same income; and therefore, they have all been united in these calculations, as being unduly burden by indirect taxation; and it should be kept in mind that there are hundreds of thousands of the working classes whose incomes, as families, amount to 50s. a-week, although the head of the family may earn considerably less than that sum.

Unfortunately no certain data exist for making the desired calculation, but Dr Farr, of the General Registration Office, one of the highest authorities on such subjects, made a probable estimate of a similar kind, from such materials as existed, and which he gave in evidence, along with much other valuable matter, before the Income Tax Committee in 1852. He says, with reference to an income tax such as the present, "The corrected result I obtain is, that at L.150 and upwards, the gradation brings the number to 340,773 persons. If you descend to L.125, you will reach 434,829; if you went to L.100, you would have 577,838;* if you went to L.75, then the tax would reach 829,117 persons; if you descended to incomes of L.50 you would have to collect the tax from 1,370,404, persons." Since 1852, when this evidence was given, the population must have increased about one-twelfth part, and the wealth of the country in a still larger proportion, so that we should not, probably, be far wrong in adding one-eighth part to these numbers, to make this probable estimate apply to the present time. The altered basis proposed of substituting property of the value of more than L.50 for a yearly income of L.50 and above, would, no doubt, considerably affect the calculation, but taking the computations of Dr Farr as the best which exist, about seven-tenths of all the payers of an income tax extending to L.50, would be persons whose incomes were not above L.130.

PROPORTION OF INCOME TAX PAID BY DIFFERENT CLASSES.

Respecting the proportions which would be paid by the different classes, Dr Farr's opinion is,—referring to an income tax of 7d. per pound,—that, "let the estimated amount of income on which the tax is paid be L.192,729,000; then if you descend to

* In the year ending April 1859, the number of persons charged with income-tax under schedule (D), and, of course, including all incomes of L.100 and upwards, derived from trades and professions, was only 284,672. The number charged under schedule (E), on public salaries, was 100,478, making a total of 385,146 persons. To this number has to be added the farmers who pay L.200 a-year or more of rent in England, and L.300 in Scotland and Ireland. To these three classes must be added the owners of real property under schedule (A), and the fund-holders under schedule (C), in so far as they may be different persons from those under the other three schedules, which a large proportion of them are not.

incomes of L.50, the additional amount of income brought under assessment, L.83,380,000, will raise it to L.276,109,000, and your tax, instead of being L.5,621,260, will, by the addition of L.2,431,930, amount to L.8,053,190." If the same proportion were to hold good respecting property of the value of L.50 and upwards, as Dr Farr thinks exists respecting incomes of L.50 and upwards, the proportion of the proposed property-tax of L.36,000,000, which would fall on persons having incomes of L.50 and not above L.130, or 50s. a-week, would be about L.10,800,000 per annum, leaving L.25,200,000 to be paid by the richer classes.

DIVISION OF THE PROPOSED TAXATION, BETWEEN THE TWO CLASSES.

The house tax may be fairly divided between the working classes—including all persons whose incomes do not exceed 50s. a-week, and the richer classes, by assuming that to the latter belong four-fifths of the houses at and above L.20, and one-fifth of the rental (not of the numbers) between L.10 and L.20. By this division the working classes and others with incomes not exceeding 50s. per week, would pay L.4,895,628, and the richer classes L.2,538,762.*

The Post Office revenue ought to be stated by first deducting L.1,000,000 for the packet service, which would leave only L.325,083 of clear income; and this might be fairly divided by allowing one-half, or L.162,541, to each class.

The tax on intoxicating drinks requires much consideration to arrive at a safe estimate. It may be stated as a general rule, that the richer classes having incomes exceeding L.130, are drinkers of wine, and the 50s. a-week class, drinkers of spirits and beer. Dealing with the future, it must be remembered that, in January next, the tax on wine will be charged at three rates, namely, 2d. 3d. and 4d. per bottle, or an average of 3d; and that the duty on spirits of all kinds is now, and will then be, 1s. 8d. per bottle. If, therefore, every wine drinker were to consume 13 glasses and one-third, or one bottle daily, and every drinker of spirits two glasses daily, the amount of taxation paid by each, would be exactly the same, provided the numbers of each class were equal. But they are not nearly equal. Adding one-eighth part to the number of persons who have incomes exceeding L.130, as computed by Dr Farr, the total number would be only about 470,000; and supposing each to be the head of a family of five

* To reconcile these figures with Dr Farr's computation of the number of persons having incomes of not more than L.130, large deductions must be made from the figures in the preceding table, for houses above L.20 of rent occupied by persons whose incomes do not exceed L.130,—such, for example, as houses occupied by parties who let apartments; public-houses; inns and hotels in the country and in small towns; houses assessed along with shops, offices, and other places of business, at rents exceeding L.20. The first and last classes are exceedingly numerous. When due allowance is made for all these classes, it will be admitted that Dr Farr's computations are, probably, very correct.

persons, what might be called, for want of a better name, "the wine drinking population," would be 2,350,000, leaving for the spirit and beer drinking population 27,650,000. There is reason to fear that there are more persons who exceed two glasses of spirits daily, than there are who exceed 13 $\frac{1}{2}$ glasses of wine daily, but to avoid complexity in the calculation, let them be supposed to be equal. It may, for the same reason, be assumed that there is as great a quantity of wine consumed by the 50s. a-week class, in addition to their spirits and beer, as there is of spirits and beer consumed by the wine drinking class in addition to their wine. It may also be assumed that there is an equal *proportion* of abstainers from all intoxicating drinks, in both classes. If these views be correct, the total amount of the tax on intoxicating drinks, paid by the two classes, will be nearly in proportion to their respective numbers; and the 50s. a-week class will pay about twelve parts, and the richer classes one part, of the L.21,641,941 of taxation. The 50s. a-week class will thus contribute L.19,977,177, and the richer classes L.1,664,764.

The tax on tobacco may be divided by giving the richer classes three times the *proportion* which they pay for intoxicating drinks, or say, one-fourth part of the whole tax, being L.932,750, and leaving for the 50s. a-week class the other three-fourths, or L.2,798,250.

The dog tax may be divided by allowing one-fourth part, or L.48,410 to the 50s. a-week class, and three-fourths, or L.145,232 to the richer classes.

TAXES ON THE WORKING CLASSES, AND RICHER CLASSES, COMPARED.

The following is the result of these probable estimates of the taxation which would be paid by the classes whose incomes do not exceed 50s. a-week; and of the richer classes, whose incomes exceed 50s. per week, or L.130 per annum:—

	Working Classes and others not exceeding L.2, 10s. per week, of income.	Richer Classes exceeding L.2, 10s. per week of income.
	Population, 27,650,000	Population, 2,350,000
Property Tax, - - -	L.10,800,000	L.25,200,000
House Tax, - - -	4,895,628	2,538,762
Post Office, - - -	162,544	102,544
Intoxicating Drinks, - - -	19,977,177	1,664,764
Tobacco, - - -	2,798,250	932,750
Dog Tax, - - -	48,410	145,232
	L.38,682,009	L.30,644,052

The working classes and others having not more than 50s. a-week, would thus, by the plan proposed, pay upwards of eight millions more than the richer classes, which is, certainly, greatly beyond their fair share of the national burdens.

HOW THE "LANDED INTEREST," IN PARLIAMENT, HAS FAVOURED THE TENANT FARMERS, AND THEREBY INCREASED THEIR OWN RENT-ROLLS, AT THE EXPENSE OF ALL OTHER CLASSES.

The first three lines of the following table show the sums charged under each schedule for the last three years of the old income tax acts, carried through by Mr Pitt and Lord Henry Petty—namely, for 1813, 1814, and 1815, when the tax was levied at the rate of 2s. per pound.

The second division shows the sums charged under the same schedules, in each of the three years ending on the 31st March 1856, 1857, and 1858, when the tax was levied at the rate of 7d. per pound:—

Year.	Schedule (A) Real Property.	Schedule (C) Public Funds.	Schedule (D) Trades and Professions.	Schedule (E) Public Salaries.	Amount of these Four Schedules.	Schedule (B) Farming Profits.
	L.	L.	L.	L.	L.	L.
1813	5,669,584	2,858,865	3,477,058	1,168,049	13,173,506	2,622,185
1814	5,265,961	2,902,662	2,893,493	1,110,367	12,172,483	2,015,554
1815	5,895,192	3,340,743	2,830,130	1,404,799	13,470,864	2,171,474
Totals,	16,830,687	9,102,270	9,200,681	3,683,215	38,816,858	6,809,213
1856	7,106,252	1,357,040	3,384,729	664,520	12,512,521	615,192
1857	7,533,111	1,777,457	4,749,181	917,775	15,027,524	852,256
1858	5,978,258	1,890,282	4,970,434	759,486	13,198,456	901,430
Totals,	20,267,590	5,024,779	13,104,344	2,341,781	40,788,500	2,368,872

It appears from the above table, that during the three years ending in 1815, all parties assessed to the income tax, other than tenant farmers, paid L.38,816,853; and that the farmers paid L.6,809,213, or more than *one-sixth part* of the sum paid by the other classes.

During the three years ending in 1858 the other classes paid L.40,738,500; and, according to the rule of proportion, other things being equal, the farmers ought to have paid L.7,146,000; but they were so favoured by the landed interest in Parliament, who make our laws, that the great majority of them were altogether exempted from the tax, on account of their farms being rented under L.200 and L.300 a-year, and those not thus exempted were charged at reduced rates, so that, by these means, the total amount paid by the farmers, as a class, was only L.2,368,872, or about *one-seventeenth part* of the amount paid by the other classes. The total amount of the payments by the farmers, as a class, would require to be increased about 250 per cent. to make the proportion equal to that of the other classes, as it was in 1815, including in this amount the payments which ought to be made by the great majority, who are now altogether exempted. It is believed that the rents of farms, and the profits of farmers, have increased since 1815, at least, in an equal proportion to the rents

and profits of other classes.* It will be remarked that, at 7d. per pound, we paid, under four schedules, a larger aggregate amount of income tax, into the Exchequer, than under the ten per cent. tax levied in 1815, although under the other schedule (B) the farmers paid a much smaller amount.—(For income tax returns of 1815 see Report of Select Committee of 1852, page 404.)

BRITISH AND AMERICAN EXPENDITURE, COMPARED.

It may be interesting to compare the expenditure of the United Kingdom, general and local, for the year now current, ending 31st March 1861—when the population is estimated at 30,000,000—with the expenditure of the United States, federal and local, the estimated population, being about 31,000,000.

	United Kingdom population 30,000,000.	United States population 31,000,000.
General Government Expenditure	L.76,000,000	L.13,000,000
Local Expenditure for county, town, and parochial purposes,	18,000,000	9,884,000
	L.94,000,000	L.22,884,000

The figures respecting the United States, are taken from the reply to the *National Review*, by Mr A. W. Paulton, of London, a gentleman whom the writer has long known, and of whose talents and honesty, and care in conducting any investigation, he has a very high opinion. In pursuing the subject, Mr Paulton says, "The entire taxation proper, therefore, for the State of New York amounted, for the year 1857, to about L.2,800,000. But it must be recollected that this income does not represent taxation for purely governmental or administrative purposes. A large portion of it goes to construct public works, or improve public lands which are public property, and which becomes more and more valuable to the state, and the income derived from it is gradually liquidating the debt which has been incurred for these purposes. To show that a very large proportion of this income is incurred for, and spent upon, reproductive public works, it is only necessary to quote from page 259 in the American Almanack for last year. Under the heading, "Finances: Debt of the State," for New York, the American Almanack says:—

"The general fund and railroad debt at the close of the fiscal year, ending September 1757, was 6,505,654 dollars; the canal debt was 25,106,960 dollars; total, 31,671,944 dollars."

"The annually accruing interest upon which was 1,950,000 dollars. Throughout the whole extent of the American Union, there is not a single state where taxation is not largely incurred for similar purposes.

* Yesterday Mr Wallace, North Berwick Mains, sold the potatoes on his farm, comprising 73 Scotch acres, at L.57, 10s. per acre. He will realise from L.4197, 10s.—*Scotsman*, Oct. 3, 1860. At L.4 an acre, the rental would be L.292; and, if occupied separately, would pay no income tax on these profits, being under L.900. If the rent were L.300 the profits on this transaction would be assumed at L.100 (1) and the present tax of 10d. charged on that sum.

However, to take the question out of the vague atmosphere of assertion on either side, I have been at the trouble to extract from the annual balance-sheet of every state in the Union, the actual annual expenditure of each state—and I have chosen the expenditure rather than the taxation, because in many states a considerable proportion of the income is derived from public property, and does not represent taxation at all. The following table is copied, state by state, from the American Almanack for 1859, under the head of "Individual States," commencing at page 225, and ending at page 338:—

UNITED STATES—STATE EXPENDITURE.

States.	Area sq. miles.	Pop. last census.	Actual Expenditure.	For year ending.
Maine.....	35,000	583,169	dolls. 456,701	Dec 31, 1857
N. Hampsh.....	9,280	317,976	155,787	June 1, 1858
Vermont.....	8,000	314,120	253,655	Aug. 31, 1858
Massachus'ts.	7,800	1,132,369	4,726,732	Dec. 31, 1857
Rhode Island	1,200	147,545	158,137	Jan. 16, 1858
Connecticut	4,750	370,792	776,442	Mar. 31, 1858
New York.....	46,000	3,466,212	State tax, 3,224,947 County tax, 8,608,679 Town tax, 2,257,702	Sept. 30, 1857
New Jersey.....	8,851	489,555	387,211	Dec. 31, 1857
Pennsylvania	47,000	2,311,786	5,407,276	Nov. 30, 1856
Delaware.....	2,120	91,532	95,000	Dec. 31, 1856
Maryland.....	11,000	583,034	1,295,598	Sept. 30, 1857
Virginia.....	61,352	1,421,661	4,113,673	Sept. 30, 1857
N. Carolina.....	45,500	869,039	(532,000) receipts,	Nov. 1, 1857
S. Carolina.....	34,000	668,507	591,145	Sept. 30, 1856
Georgia.....	58,000	935,000	745,844	Oct. 20, 1858
Florida.....	59,000	110,828	76,430	Oct. 31, 1856
Alabama.....	50,722	841,704	2,028,527	Sept. 30, 1858
Mississippi.....	47,151	606,526	614,659	Oct. 31, 1858
Louisiana.....	41,346	587,774	1,953,849	Dec. 31, 1856
Texas.....	274,356	212,592	328,066	Oct. 31, 1857
Arkansas.....	52,138	247,112	106,900	Sept. 30, 1856
Tennessee.....	44,000	1,002,717	751,009	Oct. 1, 1857
Kentucky.....	37,680	982,405	1,068,000	Oct. 10, 1858
Ohio.....	39,964	1,980,329	3,041,733	Nov. 15, 1857
Michigan.....	56,243	511,672	679,879	Nov. 30, 1857
Indiana.....	39,800	988,416	1,748,756	Oct. 31, 1857
Illinois.....	55,409	1,306,576	895,000	
Missouri.....	65,037	682,044	566,000	Sept. 30, 1858
Iowa.....	50,914	509,414	241,145	Oct. 31, 1857
Wisconsin.....	33,924	552,451	906,569	Sept. 30, 1857
California.....	169,000	507,067	699,503	Dec. 31, 1857
Minnesota.....	86,000	150,000	100,000	

Total expenditure of the 52 States, 49,423,754 dolls.

"It may here be mentioned that New York is engaged at the present time in providing a magnificent park for the recreation and enjoyment of its population, which it is said will occupy one of the finest sites in the world, commanding the noblest views of natural scenery, at a cost of 10,000,000 dollars to its citizens, levied upon property exclusively.

"From this array of facts, the actual expenditure for all purposes, governmental, local—whether town or county—public works, schools, land and geological surveys throughout every one of the thirty-two States of the American Union is shown to amount to 49,423,754 dollars, or L.9,884,000 sterling. Now, can any candid politician, of whatsoever complexion, contend that the whole state expenditure of the United States bears any analogy on the ground of taxation to our own county and local expenditure? Highways, canals, railways, the drainage of swamps, schools in every commune, land surveys, and a vast variety of reproductive works necessary to open out and fit for the abode of civilised communities the wilds of a new country. These are large items in the taxation and expenditure of every State."

GENERAL SUMMARY OF THE NATIONAL EXPENDITURE OF THE UNITED KINGDOM FOR THE YEAR ENDING 31ST MARCH 1860.

Public Debt	L.28,638,725	12	5
Army and Navy	20,739,102	4	2
Revenue Departments	4,555,525	8	5
Public Works and Buildings	681,419	0	0
Salaries and Expenses of Departments	1,629,698	9	19
Law and Justice	3,437,552	5	7
Education, Science, and Art	1,267,992	0	0
Diplomatic, Colonial, and Consular	582,102	5	7
Superannuations and Charities	249,109	0	0
Special and Temporary Objects	808,727	0	0
Civil List	403,260	0	0
Annuities and Pensions	350,713	14	3
Interest on Loans, Secret Service, &c.	177,339	0	10
Civil Contingencies	98,000	0	0

L.69,619,266 9 1

In concluding this paper, it would be unpardonable not to notice the efforts made at the meeting of the Social Science Association last year to promote the cause of financial reform, and the noble and successful efforts of our distinguished Chancellor of the Exchequer, in giving effect to these principles, to as great an extent, perhaps, as the knowledge and temper of Parliament would then permit. This great step in advance having been made secure, it is now the duty of all who are desirous of promoting the cause to press forward, and use every means in their power to enlighten the public mind respecting its advantages, and to stimulate the Chancellor of the Exchequer to renewed efforts in the path in which his great master, the late Sir Robert Peel, did so much to entitle himself to the gratitude of posterity.

END OF
TITLE